



MINISTRY OF AGRICULTURE,
FISHERIES AND FOOD

AN
ENQUIRY INTO METHODS OF
MILK DISTRIBUTION IN
ENGLAND AND WALES

Report by

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LONDON

HER MAJESTY'S STATIONERY OFFICE
1966

PRICE 1s. 9d. NET

To:

The Rt. Hon. Frederick Peart, M.P.,
Minister of Agriculture, Fisheries and Food,

17 January, 1966

Sir,

In March 1965 you invited me to carry out an investigation into the methods employed in milk distribution and on 25th March you announced the terms of this requirement in a written Parliamentary Answer to Lady Megan Lloyd George which read:

'I am concerned to discover what are the possibilities of change in our system of milk distribution in England and Wales with a view to keeping down the cost of liquid milk to the consumer. I have therefore invited Mr. J. L. Davies, C.B.E., to undertake an enquiry and report to me. Mr. Davies retired recently from the post of General Manager of the Milk Marketing Board for England and Wales and has a very wide knowledge of the whole subject of milk.'

I am glad to announce that Mr. Davies has accepted my invitation and hopes to give me his report in the course of this summer.'

In asking me to undertake this task you said that you were particularly concerned to learn whether by re-organisation of distributive methods, it would be possible to save costs, and so keep down the price of milk to the consumer.

I have now completed my enquiries and I submit my Report to you. I should like to take this opportunity of recording that I have had the fullest co-operation from all those I have approached in the course of my investigation.

I am, Sir,
Your obedient Servant,
J. L. Davies

ENQUIRY INTO METHODS OF MILK IN DISTRIBUTION ENGLAND AND WALES

A General review

1. The milk service in this country today is highly satisfactory. There are different kinds of milk services in other countries at different levels of cost—some higher, some lower. But I doubt personally whether there is any which is better than our own. Here, we have even today a daily delivery (with few exceptions) to households in glass bottles of a safe good keeping quality pasteurised milk with all its constituents as it comes from the cow. The service comes from a large, highly organised dairy industry and consumers think highly of it, although occasionally those in the industry believe that they take it too much for granted.

2. Consumption of milk per head is high and improving. It is recognised to be important to maintain high consumption in the interest of the public. This is desirable also from the farmer's point of view—it is equally desirable for the dairymen—high consumption keeps down costs per unit of the service and improves net profits. There is no conflict of interest here and the industry is to be commended for all that it has done to promote sales of liquid milk in recent years.

3. The milk service is not therefore being examined because it is unsatisfactory to the public or to the parties directly involved in the industry. (The distributors may not be satisfied with their net margins or the farmers with milk prices but there is machinery for dealing with both and as these matters are outside my remit I will not comment upon them.) The Minister asked me to look at the subject because costs of distribution have risen rapidly in recent years (most recently following the five-day week); producers' guaranteed prices have increased too and as a consequence upward adjustments have had to be made to consumer prices. The main cause of increased costs has been the rise in wages in distribution—this has been the outstanding feature of the trend in the Ministry's costings in the last ten years. There is every likelihood that this trend will continue and, with the present system of milk distribution, costs will increase and there will need to be further adjustments upwards to consumer prices. The trend to 1970 may not be very different from that which we have experienced in the last decade.

4. As far as I can see, milk prices to consumers in this country are at a reasonable level—they might even be described as low. Milk is certainly good value when quality, dependability and household service are taken into account. They seem to me to come out well in any valid comparison. They are low, for example, compared with pre-war—they are roughly three times the 1939 level whereas the cost of living index shows that food generally and most other services have shown a higher rise. They are low in relation to the rise in wages—the worker toils for many less minutes than he used to do for a pint of milk. Our prices are definitely much lower than prices of liquid milk in Canada, Australia and the United States and a considerable part of the difference is

due to our own margins for processing and distribution being lower. Prices of milk in some European countries are lower than ours, but some are higher and on any true comparison of like with like our milk prices to consumers stand up well to comparison with the countries of Western Europe.

5. This favourable price position for milk which I have described has been of great value not only to the public but to the industry. It has been the firm foundation for the success of the liquid milk side in recent years. Naturally it is desirable that it should continue. There have been some investigations into the price elasticity of demand for milk and, of course, it is well known that the milk habit makes demand relatively inelastic, at least to small changes in prices. But our experience of this field in this country is confined mainly to the period when milk prices in relation to other prices have been low; milk has continued to be the good buy. I do not personally believe that it is safe to assume that considerably higher milk prices to the public will not affect demand adversely. It is obviously desirable from every point of view to hold milk prices around these 'favourable' levels—if this is practicable for the industry.

6. In this investigation I am asked whether by variations, adjustments, modifications to the system of distribution of milk we can make financial savings which have the result within the present machinery of stopping the tendency to rising prices of milk—if prices can be reduced from the current level all the better. The main feature of rising costs on the distributive side—from farmer to consumer—for the last ten years has been the substantial increase in wages-cost on the retail side. The increases in prices of milk to cover these have been regular over the years and have provided recoupment to the industry of the ascertained rise in costs. There has also been an improvement in the net profit target but this is not a big element and it is one in any case with which I am not concerned.

7. The Thorold Committee* showed that costs of transport, processing and handling had increased much less steeply than costs of retailing and this is understandable. The distribution of milk is a very labour intensive service; put simply, it requires a very large group of men throughout the country to bring the milk to our homes. It is difficult to ascertain exactly the numbers involved but a total of more than 100,000 to cover processing and distribution in the U.K. may not be wide of the mark; the wages-cost may be somewhat below £100 millions per annum. This number is required although the processing and bottling units are very highly mechanised and the men on the rounds have modern, expensive delivery equipment with which they distribute up to and around 100 gallons of milk a day. If we assume that this system of delivering milk continues the costs of delivery will rise as wages continue upwards. There has not been much evidence of a rising annual productivity of labour to match wage improvements in the last few years and there seems to be no good reason why this situation will change in the near future. If we continue the system we can expect features similar to those which have been with us in the recent past. There will be good milk service—but milk will become more expensive because the distribution will be difficult to maintain and costs will rise.

*Report of the Committee on the Remuneration of Milk Distributors in the United Kingdom, Cmnd. 1597. January 1962.

8. Perhaps it is assumed too readily that the present system of daily household delivery can continue as it is today even with the consequences in terms of milk prices to match increasing costs. Manpower is already scarce, at least good men are difficult to find, and the planners suggest that to support the growth targets in the next few years our manpower resources will be a serious limiting factor. If this is so we can expect that the wages of dairy roundsmen will rise more than we have anticipated, the milk service will become more difficult due to the shortage of men and the cost of the service will discourage consumption. This is quite apart from the other question which must concern those responsible for overall planning, whether it is in the best economic interests of the country to have a seven-day or similar delivery service of milk to our households and in which such a large labour force—our most scarce commodity—is engaged.

9. The labour situation in the industry will continue to be difficult and the trade unions will, under these conditions, press for better wages and conditions. This has been the situation and it will continue because delivering milk is a very personal business which places the roundsman in a very strong bargaining position. There is also undoubtedly a great deal of under-employment of men in the industry—a sort of overmanning which can hardly be avoided under the present system. Some roundsmen work short hours and many manage to do another job. This is not criticism but it illustrates some of the difficulties of affording the present system which seems to provide so little scope for a rising productivity of labour. This is improved to some extent by the handling of other goods on milk rounds. But the requirements of the housewife, especially her preference for an early delivery, limit the scope for more flexible delivery arrangements which could make the dairymen more productive.

10. My first conclusion in this review is that it is most desirable, as far as possible, to put the brake on the rising prices of milk from the public's and the industry's points of view. Prices will rise perhaps steeply unless there are important changes in the system of distribution which I will discuss in a later stage of this report.

B *From the farm gate to the processing dairy*

11. In the area from the farm gate to the delivery point of milk at processing plants there is undoubtedly scope for reorganisation, improvement and economy. Already a considerable part of the milk supply is moved by tank from farms to processing dairies and some to country depots; there is also continuous adjustment of supplies from farms to meet the needs of processing dairies. These latter movements have in the past been made with difficulty, partly due to the reluctance of depot proprietors to lose throughput and because the authorities have been too ready and willing to pay for services which were not strictly necessary and, of course, the financial incentive was not placed in the direction in which the pull should go. The so-called ex-farm allowance has always been too small with the result that depots have been able to hold on to supplies, and processing dairymen have been content to draw upon them. There has been waste and unnecessary cost in the industry. All this was thoroughly examined by the Thorold Committee which recommended that the ex-farm allowance should be increased, even to include a small incentive, and addition-

ally they recommended that the premium for bulk milk from farms should be the same as the ex-farm allowance. There are grounds, it seems to me, for raising the ex-farm allowance above the present level to comply with the recommendations by Thorold.

12. It is not my purpose to go over the same ground. I am, however, impressed with the urgent need, almost four years after Thorold, to reorganise the supply of ex-farm milk for the liquid market on the basis of the widest possible use of farm tanks for milk delivery. This should lead to substantial economies in transporting farm milk to the market in the long term—it will also improve the keeping quality of farm milk. It will mean, of course, that some country depots will become redundant but I suspect not many will need to be closed, because of the seasonality of milk supplies, marginal manufacture, etc. But this is the responsibility of the industry and the depot proprietors must adjust their machinery to meet the changing situation.

13. In my opinion it should not be part of the Government control of retail prices and margins to interfere in this sector of the industry, i.e. from the farmgate to the processing dairy. It is not necessary or desirable and I strongly suspect that Government determination of depot and transport allowances tends so to preserve arrangements that the industry fails to make adjustments rapidly, as these are required, on economic grounds.

14. I agree with some of the Thorold Committee recommendations relating to this sector but I want to go further and suggest now that all this transport and depot field up to the delivery of milk to the processor should be the responsibility of the Milk Marketing Board and the buyers of milk. It is their task to bring the milk to the market and, traditionally, the producer's price has included the cost of delivery to the town or processing dairy. The position today is theoretically similar except that in practice the Ministry took responsibility for paying out of the Milk Fund the allowances for depot and secondary transport services during the reorganisation in 1954 and this has never changed.

15. Naturally, if the Board pay for these services they will need a slice of the existing Milk Fund—in fact the Board's entitlement in the agreement with the Ministry will have to be determined on the basis of delivery of milk to the town processing dairy. This should not be difficult; my plea would be that in the settlement the Government provide a basis whereby savings in depot handling and in transport arrangements following the development of bulking from farms should accrue to the Board and the producers. Likewise, I should recommend that there is financial incentive to the buyers, both direct and depot, which pulls them strongly into the rapid development of bulk transport from farms. The problems which arise from these important changes, in the redundant depots and on the farms, can be safely left to be discussed and settled jointly by the industry through their own appropriate machinery.

16. The important point here is that there is a big task and a costly operation and to make the most economical arrangements requires constant adjustment which only the spur of a financial incentive in the right direction can bring. If

this recommendation is accepted there will be some easement of control by the Ministry and there should be substantial financial savings in the long term. It will be in the interest of the Board and the buyers to search for such savings continuously.

17. I am always impressed, in studying this subject of the transport of milk from farms to market, by the size of the operation. Milk is a very heavy and bulky product—the weight of the daily output in England and Wales is around 25,000 tons. Obviously to get it to flow in bulk quantities on a large scale is the way to economy. Under the present system using milk churns, a man and a vehicle may move up to 1,000 gallons a day from farms over a distance varying, say, from seven to twenty-five miles. Many of the days worked are very short, particularly in the winter, and the vehicles are not occupied for more than one-third of their potential working day. A whole large fleet of milk vehicles is laid up for the greater part of its working potential.

18. This is another example of under-employment of both labour and capital in the industry which is dictated largely by the nature of the milk business. Milk has to come from farms early in the day and working hours in the dairy or depot are determined in this way. All this can be changed to a considerable extent when farm milk is bulked, giving more flexibility in the dairies, more opportunities for shift working and better employment of men and machines. The cost of bringing liquid milk to market should then be much reduced.

C *From the processing dairy to the consumer*

19. This is the main part of the cost in distribution—about two-thirds of the total margin—and the area in which costs have been rising rapidly in recent years. The key is the labour intensive nature of this service, the rapid rise in wages, and the relatively small scope, or so it appears under the present system, for much improvement in productivity. If the present system of determination of maximum retail prices of milk continues, based as it is on the results of the costings sample, the seven or six-day delivery of milk to households in bottles will be retained for the next few years without much change but with higher prices.

20. To avoid as far as possible the almost inevitable rise in prices of milk in the near future, I am asked what other methods, what variations in the present service, to save costs could be suggested. I have discussed these matters widely with the leaders of the dairy industry and there is no doubt in my mind that there is currently the belief that the present system of milk delivery in this country cannot continue as now and that a number of factors make for a change. I have considered these and I have tried to visualise how the distributive system should be adjusted in the light of these developments.

21. First and foremost to be reconsidered is the system of household delivery on a daily basis. We all appreciate how excellent it is and how economical it has been. But is it really necessary to continue this for the future? Is this such an essential feature of the service of our industry? Is it necessary in order to make the maximum sales in the liquid market which are important to the farmers and to the dairymen but not, of course, so important to the public?

I am satisfied personally that consumers like the service and they would be reluctant, and perhaps most reluctant of all the parties, to consent to change. Can and should this kind of service be supported in the future if another simpler, cheaper, satisfactory service of milk can be substituted without serious loss to the interests concerned and which will also satisfy consumers?

22. Already some steps are being taken to introduce a six-day delivery; there is also some discussion of a five-day delivery. But there is no substantial saving in costs which will follow these small modifications and there are obvious difficulties. It seems to me that the time is almost ripe for a delivery of milk every other day. If this were achieved there would be substantial saving in costs of distribution, according to some authorities of around 5d. a gallon but it could be more. This is a different system requiring considerable reorganisation on the part of the dairies and they would need some time to make new and satisfactory arrangements. It is a different kind of service to consumers and, of course, could give much more scope for higher productivity by the roundsmen.

23. It will be argued that milk, even under modern conditions, will not keep adequately without refrigeration in the home under summer conditions for this reduced distribution service to be satisfactory. This may be so but in that case it is really up to the dairyman to see that milk is sufficiently long-keeping or refrigeration is provided—they are selling the product and they can either rent a refrigerator to the customers, help them to purchase one or provide a specific milk container which looks after the product. In any case the housewife who wishes to supplement the milk deliveries by shop purchases should be able to do so.

24. Delivery of pasteurised milk every other day, two or three times a week, is customary in the United States and this is perfectly satisfactory with home refrigeration. I feel now that we should not be obliged to provide a universal daily service of milk merely because some housewives have no refrigerators.

25. I have been very impressed in my enquiry with the progress which has been made in the production of long-keeping milk by the various U.H.T. processes. The final product, packaged aseptically, can be kept for weeks at ordinary temperatures before use. There is some evidence that the process can be adapted for use in customary filling processes into bottles or cartons and still provide a product which keeps longer than the usual pasteurised milk. This seems to indicate that the problem of keeping quality can be solved satisfactorily by the dairymen without facing fully the quite considerable cost of providing aseptically filled containers for milk. We are perhaps not at this point yet. The distributors and the regulating authorities will no doubt consider whether any amendment of existing regulations for pasteurised milk is required to improve keeping quality without impairing nutritive quality and flavour of the product.

26. The coming into force of the U.H.T. amendment to the Milk (Special Designation) Regulations 1963 on the 1st October, 1965 can and will have a considerable influence on this problem before very long. Dairymen when planning the every other day delivery will need to see that their household

customers have refrigerators or they can use a U.H.T. milk to satisfy particular needs. I find it difficult to envisage how long such a change in delivery system will take—this could well vary in different areas—indeed between individual dairymen within the same district. Some will continue to make pasteurised bottled milk the basis of the service, others will use the U.H.T. device to supplement and to meet the requirements of individual customers. It is certain that the introduction of U.H.T. at this juncture makes it much easier to take this important step to reduce the delivery service although I do not personally expect this kind of milk under the new designation to replace pasteurised milk substantially in the foreseeable future.

27. The longer-keeping milk will undoubtedly have an influence on the general image of milk with the consumer and perhaps, quite soon on the pattern of trading in milk. If the dairymen exploit the long-keeping element, the tradition of milk as a perishable product, to be looked after, kept out of the sun, kept in a cool place and the other requirements which have traditionally surrounded it will tend to disappear. The housewife when she becomes accustomed to this will be less concerned to buy her immediate requirements daily. She will buy more haphazardly and she will want bigger containers. (The dairymen will also wish to supply bigger containers for every other day deliveries.) And with long-keeping milk, not dependent on refrigeration for its storage, the shops and supermarkets will become more interested because they will be able to handle milk with much more facility and without the present restrictions which daily delivery in bottles and refrigerated storage impose upon them. I still think that a development to make pasteurised milk as we know it keep longer—two or three days with a margin—is more important and desirable than the current conception of U.H.T. and I hope that consideration will be given to this if the dairymen believe that the present practices are inadequate for a less frequent delivery.

28. I looked at the prospect of selling milk prepacked through the shops and supermarkets because of the developments on these lines in the United States and the habit and tradition of selling milk through the shops in some European countries. It would seem that this will only grow slowly in this country in the next few years although the new U.H.T. milk will help it forward. But in my view the production of a cheap non-returnable container which is attractive to the housewife is essential to stimulate the interest of the shops and supermarkets. This has not yet been achieved. Together these developments will provide a basis favourable to expansion of the trade in this direction. On the whole however, I believe that there is no economic advantage—perhaps some disadvantage—to the public in this country to get the milk through shops as compared with a delivery service to households, if the latter is reasonably competitive in terms of cost and price. I suggest that it can be on the every other day basis which is suggested. This is a very big subject and to try to analyse and to prove a thesis one way or another is practically impossible. The fact that we have had such a complete system of household delivery for so long and at a fairly low cost suggests to me that under the conditions of today, when we are facing labour shortage and high labour cost and when milk need no longer be regarded as perishable, the best policy is to make a drastic change in the system of delivery and to do this fairly quickly but not before an extensive process of education of the public.

29. It may be argued that the public in this country do not wish to change, that housewives want a daily delivery and that they are prepared to pay the price, an increasing price for milk, to retain it. This will depend, of course, on the alternatives which are offered and the cost of them. I am quite convinced that a modified home delivery will be accepted by customers so long as proper steps are taken to ensure an adequate 'shelf' life to the milk. In any case, things will not remain as they are. If the daily system is continued, prices will rise and soon there will be more incentive to purchase milk from the shops in non-returnable containers and the economy of the milk rounds will begin to be affected. All this is quite apart from the point that if an alternative, more economical, arrangement can be made it should be introduced, particularly in an industry which is not entirely subject to the pressures of competition but is guided and influenced by Government policy.

30. This is not to say that the supermarkets should not be encouraged to develop their milk service. I am convinced that they will seize the opportunity when the circumstances are in their favour and they have a satisfactory margin for selling. At present the small volume of milk business which passes through the shops involves an expensive service of delivery by the dairies. In these circumstances the margin which they get is too small to attract their counter space. This situation will not continue if conditions become more favourable to the shops and supermarkets but I believe the dairies can retain a substantial part of their trade in this country by adapting their system of household delivery on an efficient basis with high output per man. The prospective competition of the supermarkets will help provide the pressure and the incentive.

31. In advocating this approach to delivery one is aware that some problems arise. The producer-retailer, for example, selling farm-bottled raw milk may be in difficulty if he only delivers once in two days. There should be nothing done to stop him delivering daily and he should continue to have the facility of adding a delivery charge for his service in difficult rural areas. The permitted maximum price for farm-bottled milk is favourable and gives him the added incentive to provide a special service. The dairymen or producer-retailers selling pasteurised milk in rural areas find it difficult to maintain deliveries within the margin; special delivery charges are, of course, permitted and are used but, in my view, insufficiently. Daily delivery of milk is expensive under rural conditions but often it is entirely unnecessary. There is much real waste of resources in this service, part of it caused indirectly by the system of prices control and allowances. The every other day delivery on rural rounds should be a great help to dairymen and country customers who are placed in difficulty should make use of refrigeration if they purchase pasteurized milk. U.H.T. milk could be a considerable boon to customers in really inaccessible places.

32. There will be marginal cases of real difficulty in rural deliveries if the daily system is abandoned. But then nobody has promised to those who dwell in rural areas a universal milk service on the same price basis as is available in the towns. It is unreasonable that this should be expected to continue. Those who live in rural areas must be prepared to pay more if necessary. I do not anticipate many problems arising following the restriction of deliveries in rural

areas which cannot be resolved between the processor, the dairyman and the customer without making special arrangements for allowances, etc. in which the Government is involved.

33. When I suggest a period of two years for introducing the new delivery system the reaction of dairymen may well be that this is excessive and unnecessary. If this is so, all the better. But I am anxious that there should be a period during which the new programme is widely publicised and housewives fully informed well in advance. Perhaps this could be a programme carried out by the National Dairy Council. The emphasis would be laid, as far as housewives are concerned, on refrigeration in the home. The dairy trade will have their own problems of adjustment which will require much planning and organisation but in regard to which they will not require advice. I have deliberately refrained from defining precisely what is meant by every other day delivery or which of many variants would be preferred because the dairy trade is in the best position to work out these possibilities in practice.

34. I have considered whether economies can be made by introducing different containers for milk delivered to households. The glass bottle is undoubtedly a satisfactory container and it is cheap, much cheaper than most alternatives. Research continues however, and experiments with plastic sachets and light paper cartons attract much attention in the dairy trade at the present time. There is no need for me to argue the case for the non-returnable container. It would be acceptable in the dairy trade and, in my opinion, with consumers if it were cheaper. The shops, particularly supermarkets, are unlikely to show much interest in milk until they have a satisfactory non-returnable container which is cheap. A delivery every other day on the rounds will put emphasis on the quart rather than the pint bottle and this will do something to emphasise the advantage of the paper and/or plastic non-returnable container. The weight of bottles to be carried in every other day delivery will highlight the advantages of alternatives. The U.H.T. milk at this stage can only be packed in a non-returnable container and presumably will be sold at a slightly higher price than the pasteurised milk in glass bottles. The trend in the next few years will be in the direction of non-returnable containers; they are already on the fringes of the milk service. They will work themselves inwards, perhaps more rapidly than most dairymen believe at the present time. But I cannot see that new and different containers, desirable though they may be, have anything to offer in the way of financial savings and economies in the industry concerned with the household milk service at the present time. It will be a gradual development but the great scope in this huge milk market for the improved non-returnable containers will keep the manufacturers of these products active and under pressure until they find an answer which is acceptable.

35. A question which is important to both sides of the industry when changes of this type are contemplated is the likely effect on the level of liquid milk consumption in the market as a whole. Much time, effort and money have been devoted to promoting this market in the last decade and the rising total demand has been of great benefit to all concerned; not least it has helped to keep costs down and prices low. These low prices in turn have enabled the promotions of the market to attain an impressive success. The continuation of

this favourable price pattern will, in my view, allow the traditional seven-day delivery system to be abandoned in favour of a simpler service without much loss of the total market. I have always believed that the maximum in liquid milk sales is obtained through the present delivery system. But the issue now is whether it is better in the long term to try to preserve it in spite of the certainty of higher costs and prices or to reduce the service and the costs in an effort to keep milk before the public as the good buy. I am convinced that the milk image is a very favourable one with the public and will stand the strain of change in the traditional delivery system.

36. There has been much discussion of this subject in the United States and Canada following the transfer of sales from the household delivery rounds to the supermarkets. On the whole we in this country have believed that the poor showing of the U.S. liquid sales figures in recent years has been directly connected with the decline of home delivery. The contrast in the experience here and in the United States in this field has certainly been striking. It is fair however to add that more recently some of the most prominent American milk economists have argued that the demand for milk has, on balance, benefited from the development of the varied system of deliveries, sizes of containers and particularly of consumer prices according to the type of service. It is naturally difficult to assess what might be our experience here under similar circumstances. It is best to assume that there will be some loss following the restricted delivery but in my opinion this can be minimised considerably if there is a reasonable period of warning to the public and a great effort of public relations and education made by the industry. In these circumstances I should expect a small initial loss of market but even this would be recovered in a relatively short time. The fact that milk is very good value, that it is now very well received by the public, regarded as essential in the household and that it is good family practice to have high consumption—all these favour a high consumption level in an affluent society and there is no serious competitor to liquid milk on the horizon. The industry by their prices policy would be well advised to try to keep it that way.

37. I have considered whether there are other ways of minimising cost—improving efficiency of milk distribution—whilst maintaining delivery to households. In some areas, London is an example, there continues to exist a high degree of rationalisation of areas for delivery. The private dairymen and the Co-operatives 'compete' within these areas. In other towns, perhaps in most, the measure of rationalisation which exists is less or non-existent and there are examples of 'free competition' where a number of dairymen operate in the same street and indeed two or more roundsmen deliver to the same house. There is no doubt that the practice of rationalisation with only two dairymen operating in one street has made things easier for the dairymen and has reduced the cost of deliveries by raising the productivity of the roundsman.

38. I have asked the question: how much is to be saved if this were carried further and only one dairyman deliver to all households within an area—as indeed I have asked what would be the scale of gain if the type of rationalisation plan in London were applied strictly all over the country. There is no doubt about the savings of costs and increased productivity of roundsmen following

this type of rationalisation. It is obviously undesirable to find a number of competing roundsmen in the same street. This certainly suggests that the margin for distribution is generous and of course it gives to the public the impression of waste of resources in the industry. This subject has, as far as I can ascertain, not been surveyed in recent years and such a study could well be the beginning of another active programme organised by the industry itself to promote rationalisation of rounds on a voluntary basis preparatory to the introduction of every other day delivery.

39. It is appreciated that there will be smaller savings to be made through rationalisation now that the degree of concentration on the distributive side has proceeded so far and much of the savings from rounds rationalisation appears in the higher output of the roundsmen. There may still be a great deal of waste and therefore much to be gained by rationalisation in some areas and if progress is made in these, encouraged and pressed forward by the Ministry, the gain in labour productivity following the every other day delivery could well make it more than double the present level.

J. L. Davies

January 1966.

SUMMARY

1. The service of milk distribution in this country is very good. Prices of milk to consumers are reasonable by any standard of comparison.
2. Prices of milk to consumers will rise further in the next few years as the result of rising costs of distribution unless steps are taken to modify the service.
3. There are some important developments in the milk industry particularly the steps taken to ensure greater keeping quality and the efforts made to produce cheap, efficient, acceptable non-returnable containers which could bring much more flexibility into the milk distributive system in a few years time.
4. It is suggested that in view of the probable trend for rising costs in distribution that the seven-day service should be changed to an every other day service. This will reduce costs substantially by increasing productivity of labour.
5. This change should take place in two years time; this period should give the industry sufficient time to reorganise and time in which to inform and educate the public.
6. Consideration should be given to the proposition that the Milk Marketing Board should be made responsible for all aspects of the movement of milk from the farm to the processing dairy.